

Medicare Prescription Drug, Improvement, and Modernization Act of 2003
PRESCRIPTION DRUG COVERAGE
FOR MEDICARE BENEFICIARIES
Section 1860D-4

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), as signed by the President on December 8, 2003, will give all Medicare beneficiaries access to prescription drug coverage and the buying power to reduce the prices they pay for drugs. The Act provides enhanced coverage for the lowest income beneficiaries and an immediate prescription drug discount card for all beneficiaries until the full plan is available nationwide. Additionally, the Act includes savings for many state governments; increased coverage for preventive services; and provisions for modernizing the drug delivery infrastructure.

Medicare Drug Benefit

Beginning in 2006, Medicare beneficiaries will have access to the standard drug benefit described below. Although drug plan sponsors may change some of the specifications below, the benefit offered must at least be equal in value to the standard benefit. Standard coverage includes:

- A monthly premium of about \$35
- A deductible of \$250
- Coinsurance of 25 percent up to an initial coverage limit of \$2250
- Protection against high out-of-pocket prescription drug costs, with co-pays of \$2 for generics and preferred multiple source drugs and \$5 for all other drugs, or 5 percent of the price, once an enrollee's out-of-pocket spending reaches a limit of \$3,600

Those beneficiaries with limited savings and low incomes will receive a more generous benefit package, as described below:

Beneficiaries with limited savings and incomes below 135 percent of the federal poverty line (\$12,123 for individuals, \$16,362 for couples) will receive:

- A \$0 deductible
- A \$0 premium
- No gap in coverage
- Co-pays of \$2 for generics and preferred multiple source drugs and \$5 for all other drugs, up to the out-of-pocket limit [NOTE: *For full dual eligibles under 100% of poverty, the co-payment is reduced to \$1 and \$3 and for those full dual eligibles who are residents of nursing homes there is no co-pay.*]
- \$0 co-pay for all prescriptions once the out-of-pocket limit is reached.

Beneficiaries with limited savings and incomes below 150 percent of the federal poverty level (\$13,470 for individuals; \$18,180 for couples) will receive:

- A sliding scale monthly premium that would be about \$35 for beneficiaries with incomes of 150 percent of the federal poverty level
- A \$50 deductible
- No gap in coverage
- Coinsurance of 15 percent up to the out-of-pocket limit
- Copays of \$2 or \$5 once the out-of-pocket limit is reached

The Medicare-Endorsed Prescription Drug Discount Card

Medicare beneficiaries without drug coverage will be eligible for the Medicare-endorsed Prescription Drug Discount Card, which will begin operation six months after enactment and continue until the full benefit is implemented. The card program is estimated to save beneficiaries between 10 and 25 percent on most drugs. Those with incomes below 135 percent of poverty will be given immediate assistance through a Medicare-endorsed prescription drug discount card with \$600 annually to apply toward purchasing their medicines.

Savings for State Governments and Employers

In addition to providing help to beneficiaries, the Act would help states by paying an increasing percentage of current state costs for prescription drugs for those who are enrolled in both the Medicare and Medicaid programs. The percentage increases from 10 percent initially to 25 percent in ten years. In 2002, states spent nearly \$7 billion on prescription drugs for dual eligibles.¹ States would continue to share in the responsibility of providing this coverage to these low-income beneficiaries.

In addition, states already operating drug assistance programs for seniors who do not qualify for Medicaid—including Pennsylvania, New York, New Jersey, Connecticut and Massachusetts—could see their spending on drugs reduced by coordinating with the new Medicare drug benefit.

For employers that offer their Medicare-eligible retirees prescription drug coverage, the Act also provides a 28 percent subsidy for each enrollee's annual drug spending between \$250 and \$5000.

New Preventive Benefits

¹ Dale, S.B. and J.M. Verdier. "State Medicaid Prescription Drug Expenditures for Medicare–Medicaid Dual Eligibles." Commonwealth Fund. April 2003.

Beginning in 2005, all newly enrolled Medicare beneficiaries will be covered for an initial physical examination, and all beneficiaries will be covered for cardiovascular screening blood tests, and those at risk will be covered for a diabetes screen. These new benefits can be used to screen Medicare beneficiaries for many illnesses and conditions that, if caught early, can be treated, managed, and can result in far fewer serious health consequences.

Modernizing Drug Delivery Systems

The Act also calls for the use of electronic prescribing in the delivery systems that will bring prescription drugs to Medicare beneficiaries. Such systems should sharply reduce the substantial number of prescribing errors that occur each year, by helping to better identify and thus prevent potentially adverse drug interactions. In addition, such changes can foster further use of data-driven disease management programs.